



ZENTIVA
FINANCIAL EXERCISE 2020
Non-financial report

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1. Introduction

This report was prepared in accordance with the European Directive no. 2014/95, Art. 2, transposed at national level in Order no. 1938/2016 and completes the annual Report of the Board of Directors for 2020 published on the Company's official website.

The report discloses relevant information on the company business model as presented in the annual Report of the Board of Directors, ethics and anti-bribery measures, environmental protection policies and social commitment (working conditions, health and safety at workplace, social dialogue, diversity etc.) and associated risks and mechanisms for mitigation.

2. Activity of the company

2.1 Stocks and shareholders

ZENTIVA SA (hereinafter, the "Company") was established in 1962 under the name Intreprinderea de Medicamente Bucuresti (hereinafter, "IMB"). The current headquarters of the company is Theodor Pallady No. 50, Bucharest.

In 1990, the Company absorbed and took over the entire patrimony of the former IMB in accordance with the Government's Decision.

In November 1999, the majority shareholding was taken over by the group of institutional investors formed of the European Bank for Reconstruction and Development, the Post-Privatization Foundation, GED Eastern Fund, Euromerchant Balcan Fund, Black See Fund and Galenica North East via the Cypriot company Venoma Holdings Limited.

In 27 June 2002, the Extraordinary General Shareholders' Meeting approved the increase in the share capital by the amount of old Lei 277,974,100,000 (equivalent a 27,797,410 RON), respectively from the value of old Lei 138,987,050,000 (equivalent of 13,898,705 RON) to the value of old Lei 416,961,150,000 (equivalent of 41,696,115 RON), through the granting of 2 free stocks for each stock held by the shareholders registered with the Shareholders' Register as at the reference date 30/05/2002.

In 12 October 2005, Zentiva N.V., a Dutch company seated in Amsterdam, The Netherlands, with branches in several European countries, purchased the stocks of Venoma.

In October 2005, Zentiva NV made a public offer regarding the purchase of the stocks of the issuer Sicomed SA, denominated afterwards Zentiva SA, for the amount of RON / stock 1.37, during the period between the 9 November 2005 - 12 January 2006.

In March 2009, Sanofi-Aventis Europe announced its having become the shareholder of Zentiva N.V., holding approximately 96.8% shares.

In August 2009, Sanofi-Aventis Europe made a public offer regarding the purchase of the stocks of the issuer Zentiva SA, for the amount of RON / stock 0.7, during the period between the 12 August 2009 and the 22 September 2009.

Between 20 February 2018 and 5 April 2018, Sanofi-Aventis Europe, through Zentiva N.V., conducted a public purchase offer at a price of RON 3.50 per share, after which it acquired 48,216,352 shares, thus reaching a holding of 93.2295% of the share capital of the Company.



2. Activity of the company (continued)

On 30 September 2018, the transfer of shares was finalized between Zentiva N.V. (100% owned and controlled by Sanofi Aventis Europe), as seller, and AI Sirona BidCo s.r.o. (100% owned and controlled by AI Sirona (Luxembourg) Acquisition S. à r.l., a company which is entirely owned by AI Sirona (Luxembourg) Subco S. à r.l. and ultimately controlled by Advent Funds GPE VIII, a fund managed by Advent International Corporation), as buyer, through which the control over Zentiva Group a.s. was transferred. On 31 December 2018, Zentiva Group a.s. held 388,730,877 shares, representing 93.2295% of the share capital of the Company.

Between 18 December 2018 - 11 January 2019, Zentiva Group a.s. conducted a mandatory public offer for buying at a price of RON 3.7472 per share, after which it acquired 200,333 shares, thus reaching a holding of 388,931,210 shares representing 93.2776% of the share capital of the Company.

Between July 5, 2019 – August 5, 2019 (subscription period), the Company carried out the operation of share capital increase by granting preferential rights, by issuing a number of 300,000,000 new shares, with a nominal value of 0.1 RON / share, which were offered for subscription to the shareholders registered in the shareholders' register of the Company held by Depozitarul Central SA, on the registration date of May 16, 2019. Following the subscriptions made, out of the total number of 300,000,000 new shares, 19,944,110 shares were not subscribed and were canceled in accordance with the provisions of the decision of the extraordinary general meeting of the shareholders of the Company dated April 30, 2019.

After the share capital increase, the share capital of the Company is RON 69,701,704 (compared with RON 41,696,115 prior to the increase), being divided into 697,017,040 nominal shares with a value of 0,1 RON each, and is held as follows:

- the shareholder Zentiva Group a.s. owns 668,778,101 shares, representing 95.9486% of the Company's share capital;
- other natural and legal persons hold 28,238,939 shares, representing 4.0514% of the Company's share capital.

Following the share capital increase, the synthetic shareholding structure as of 31 December 2020, in comparison with the shareholding structure as of 31 December 2019 was the following:

Shareholding structure	31 December 2019 (%)	31 December 2020 (%)
Zentiva Group a.s.*	95.9486	95.9486
Other minority shareholders	4.0514	4.0514
Total	100	100

Source: Central Depository

* On December 31, 2019, the company Zentiva Group a.s. merged with the company AI Sirona Bidco s.r.o., the latter being the sole shareholder of Zentiva Group a.s. Following the merger, the company Zentiva Group a.s. ceased to exist, its entire assets being transferred to the company AI Sirona Bidco s.r.o., which, as of December 31st, 2019, also changed its legal form from a limited liability company ("s.r.o.") to a joint stock company ("a.s."), as well as the name from AI Sirona Bidco s.r.o. to Zentiva Group a.s.



2. Activity of the company (continued)

The Company's shares have been listed on the Standard Category of the Bucharest Stock Exchange starting from 1998.

Out of the total number of 697,017,040 shares, 696,833,149 shares are being traded on the capital market, the rest of 183,891 shares being held by Zentiva SA.

The Company did not trade its own stocks during the year 2020.

The market capitalization of the Zentiva SA stocks as at the 31 December 2020 amounted RON 2,021,349,416.

As of 31 December 2020 the stock price amounted to RON / share 2.9.

As of 31 December 2020, the Company has net assets of RON 785,364,075 which represents more than 50% of the share capital of RON 69,701,704 (as of 31 December 2019, the Company had net assets of RON 701.999.918 which represented more than 50% of the share capital of RON 69,701,704) which is in compliance with the requirements of Romanian Company Law no. 31/1990, as amended and supplemented (the "**Company Law**"). As of 31 December 2020, the Company has a set aside as legal reserve RON 2,896,448 from the 2020 profit since it is a legal requirement to transfer 5% of the yearly profits to the legal reserve until their balance equals at least 20% of the share capital.

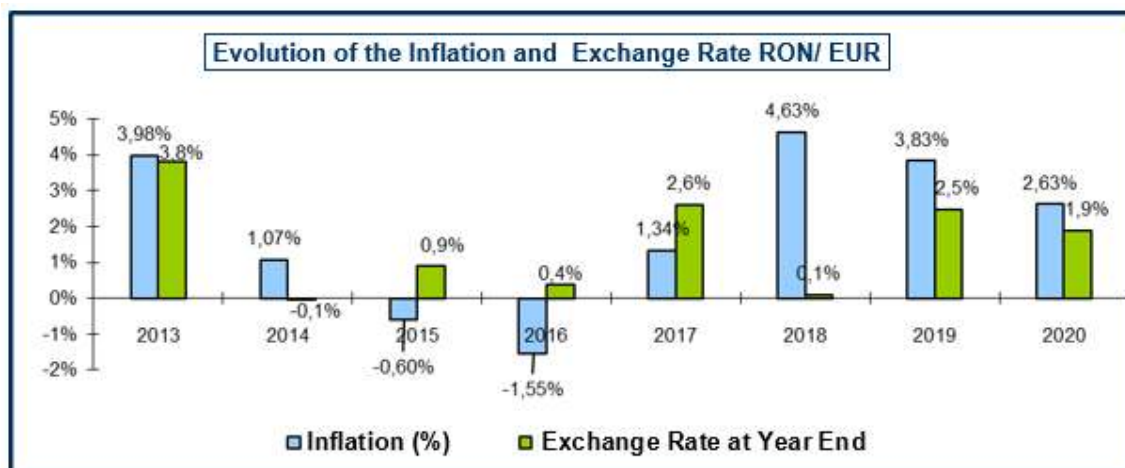
Mergers and re-organizations of the Company

In 2020 the Company did not undergo any mergers or re-organizations.

2.2 Economic and financial environment

Evolution of the macroeconomic indicators in Romania

The inflation rate had significant fluctuations, from 3.98% in 2013, to 2.63% in 2020. In 2020, the national currency depreciated in relation to EUR by 1.9%, from RON / EUR 4.7793 at 31 December 2019 to RON / EUR 4.8694 at 31 December 2020:



Source: National Statistical Institute and NBR



2. Activity of the company (continued)

2.2.1 Pharmaceutical industry

The Romanian pharmaceutical market, including prescription and over-the-counter medicines, had in 2020 a growth rate of 3.0% (in value) versus the previous year, reaching the level of EUR 4.150 million (Source: IQVIA sell-in report from December 2020).

The Romanian generics market had an increasing evolution in 2020 also, with an increase of 3.1% (in value), reaching the level of EUR 759 million, according to IQVIA.

2.2.2 Activity of the company in 2020

For 2020, ZENTIVA S.A. reports a turnover of 558.0 MRON being slightly lower than previous year and an operating profit of 65.6 MRON, higher by 50.0% vs. 2019, being explained by the increase of operational efficiency and decrease of expenses.

In 2020, the achieved production volume was higher by 2.1 million commercial units than the production of 2019, representing a growth of 2%.

The Company closed the year 2020 with a net profit of RON 65,635,440.

The most important achievements in 2020 were the following:

- Successfully finalizing the transfer of another 8 products to be locally manufactured;
- Exports represented 52% of the 2020 production plan (56.2 million commercial units). Goods were primarily exported to European market (Germany, France, Czech Republic, Slovakia, Russia etc.);
- Investments totaling RON 21.6 million (EUR 4.4 million) for new manufacturing equipment, upgrading the existing equipment.

2.3 Portfolio of products and distribution market

2.3.1. Reporting base

As at the 31 December 2020, Zentiva SA prepared financial statements in accordance to the Order of the Ministry of Finance no. 2844/2016 approving the accounting regulations in line with the International Financial Reporting Standards, applicable for trade companies whose securities are accepted for trading on a regulated market, with all the subsequent amendments and supplements in force.

Sales – Volumes and amounts

The net turnover amounts to RON 557,960,940 as of 31 December 2020 (2019: RON 559,007,373).

The Zentiva's average selling price (finished goods and goods for resale) was RON 4.16 in 2020 and RON 4.42 in 2019. The decrease in price is explained by the different mix of products, the weight of products for hospitals and chronic diseases significantly decreased in total sales. However the negative impact was partially mitigated by the reference price indexation for disbursed medicines regulated by the authorities starting with 1st of July 2020 and by the decrease in claw back tax from 1st April 2020 through implementation of the differentiated clawback tax mechanism according to type and origin of the traded medicines.



2. Activity of the company (continued)

	2019	2020
Sales of goods (million RON)	541.2	540.4
Sold quantity (million units)	122.4	129.8
Average selling price (RON / sold unit)	4.42	4.16

Source: Zentiva, Financial Statements Report

Exports represented 43.2% out of total 2020 turnover (RON 241.1 million), compared to 40% in 2019 (RON 219.0 million). The export sales were made through Zentiva k.s. (part of Zentiva Group). They were mainly destined for European Union markets.

The percentage of OTC products within Zentiva SA (over-the-counter medicines) from the total sales represented 4.5% in 2020 versus 5% in the previous year.

The sales by types of products 2019 – 2020 are presented below:

Product type	2019	2020
Ethical (Rx)	95%	95.5%
OTC	5%	4.5%

The policy of Zentiva SA involves the permanent search for suppliers which deliver high quality raw materials.

The Quality Department assesses the potential suppliers and the existing ones on regular basis. Their focus is on the quality of documentation provided by the suppliers, which is necessary for authorization purposes and the quality of the supplied products, as well as the products behavior during the operating process.

2.3.2. Portfolio of products and distribution market

The product portfolio of Zentiva SA includes 150 products for human use, as solids (tablets, capsules, and pellets) and injectable solutions.

a. Up to 27 September 2018, the distribution activity on local market was ensured by Sanofi Romania SRL, the exclusive distributor of the Sanofi Group on Romanian market. After Zentiva went out from Sanofi Group, the distribution activity on local market was ensured by Romanian distribution companies.

b. ZENTIVA SA is part of Zentiva Group, which has production facilities in Czech Republic, Romania and India. The export sales were ensured by Sanofi Winthrop (part of Sanofi Group) up to 30 September 2018 and by Zentiva k.s. (part of Zentiva Group) after 1 October 2018.

In 2020, the Company investment expenses amounted EUR 4.4 million. The objectives of the investment program, which will be continued in 2021 are the preservation of the Good Manufacturing Practice Guidelines and the updating of technologies in line with the international quality and environmental standards, together with the extension of the product portfolio and of the new forms of packaging. The investment level foreseen in budget 2021 is EUR 2.7 million.



2. Activity of the company (continued)

2.4 Objectives for 2021

For 2021, our objective is to maintain our leadership in the healthcare field, focusing on identifying growth opportunities and on diversifying our business within European quality standards; to ensure an efficient and profitable organization while remaining fully committed to delivering the best possible service to our customers and upholding our commitments towards Romanian patients' needs.

Our key priorities for 2021 are:

- To maintain the profitability of the local producer, considering an increase of costs for utilities, constant increase of costs for materials, higher due also to pandemic situation (raw materials, excipients, and packaging materials), increase due to the COVID-19 pandemic;
- To enhance the production capacity, by implementing the investment plan for 2021;
- To diversify and enhance Zentiva's presence on various markets through exports and transfer of new products that should be produced locally;
- To maintain the sales of products on the local market;
- To strengthen our product portfolio through new launches.

3. Ethics and business integrity

As a partner in the health journey, our commitment to act with integrity is essential to ensure people's trust.

In a complex environment, we are determined to respect the ethical principles that govern our activities and we are committed to comply with the laws and regulations applied in each country in which we operate. It is important to get results, but "how" we get them is just as important.

We subscribe to the principles of the Universal Declaration of Human Rights, the International Labor Organization and the Organization for Economic Cooperation and Development (OECD). We also support the right of every person to health, as defined by the International Convention on Economic, Social and Cultural Rights. We support and apply essential principles on human rights, labor, environment and anti-corruption.

Today more than ever, strengthening people's confidence is essential to the success and competitiveness of our company. In this regard, during 2020, Zentiva offered its employees training programs specific to the field of business ethics and integrity



3. Ethics and business integrity (continued)



Starting with November 2018, Zentiva implemented a new Ethical Code, named "Code of Common Sense", based on the five business principles of Zentiva:

- ✓ Focus on patient and the product responsibility;
- ✓ Treat everyone with respect;
- ✓ Transparent and fair business;
- ✓ Company Protection;
- ✓ Courage to speak up.

As part of the training program, in 2020 all employees with access to laptop / computer took online courses on the company's Code of Ethics - *Code of Common Sense*, anti-corruption rules, rules regarding conflicts of interests.

The employees from the production sections who do not have access to the laptop / computer were trained regarding the above during the face-to-face training sessions.

As part of the training program, new employees are trained regarding the Code of Ethics, the business principles and also regarding the rules on anti-corruption, conflicts of interest, privileged information, confidentiality, personal data etc.

Also, during the meetings of the sales team organized twice a year there are trainings on the above-mentioned subjects.

3.1 Medical ethics and transparency of medical data

We work with healthcare professionals every day to support the proper use of our healthcare products and get valuable feedback from them.

For example, we collaborate with healthcare professionals in order to:

- Better understand medical conditions, and further our knowledge of their physiopathology and of the mechanism of action of new compounds;
- Draw upon their expertise to adapt our projects in the interest of patients;
- Encourage proper use of our products; and
- Organize scientific briefings on pathologies, related issues, and the healthcare products we commercialize.

Committed to the principle of transparency* that helps build trust in our relations with stakeholders, the public and most importantly the patient, we have been disclosing the transfer of values to HCPs, according to national legislation*, since 2014. The information is available on ANMDMR (Agentia Nationala a Medicamentului si a Dispozitivelor Medicale din Romania) website.

**Legislation Health Ministry Order no. 194/2015 and Law no. 95/2006.*

The company has put in place policies covering rules and operational requirements for organization of events, interactions with healthcare professionals and donations.



4. Sustainability and environment protection (HSE)

All of Zentiva activities are subject to regulations, and also to ever-growing expectations on the part of stakeholders, in the field of HSE.

To address these challenges and to renew our commitment to our employees and to the environment, we have updated our HSE in October 2018.

This policy, the cornerstone of the company's HSE strategy, is part of our commitment to corporate social responsibility. To implement this policy, Zentiva has defined a series of HSE targets for 2025, which are applied in all of our activities, focusing on four key areas:

1. Encourage change in attitudes to safety means we can commit to protecting life by ensuring that all our people enjoy safety in the workplace and arrive home safe and sound every day;
2. Create a healthy community by protecting the health of everyone working at Zentiva;
3. Minimize our environmental footprint: leverage our strategy in order to become a leader of corporate environmental management;
4. Strengthen HSE as a partner of our business operations: using HSE programs and transverse cooperation, transform HSE challenges into opportunities for our businesses and in our markets.

Our HSE Department has established a framework that covers all aspects of HSE: safety in the workplace, process safety, occupational health, protection of the environment and Fire protection. These documents are reviewed periodically (as per regulation in force Law 319/2006). The framework includes regulatory requirements and internal rules, the results of risk/opportunity analysis, and expectations and is translated into a set of compulsory standards and methodological guides.

International standards	Zentiva certifications
ISO 9001: 2015 (Quality Management)	<input checked="" type="checkbox"/>
ISO 14001: 2015 (Env. management)	<input checked="" type="checkbox"/>
OHSAS 18001: 2007 (Occupational Health & Safety)	<input checked="" type="checkbox"/>
ISO 50001: 2011 (Energy management)	<input checked="" type="checkbox"/>
Environmental Permit no 234/07.05.2012	<input checked="" type="checkbox"/>
Water permit no 517 B/ 02.11.2018	<input checked="" type="checkbox"/>
Discharge Permit no 152/31.08.2012	<input checked="" type="checkbox"/>
Fire Protection Permit	<input checked="" type="checkbox"/>
Manufacturing Authorization no. 15F/16.04.2019	<input checked="" type="checkbox"/>
Certificate for compliance with Good Manufacturing Practices 036/2018	<input checked="" type="checkbox"/>

In addition to audits performed by the Group every three years, Zentiva manufacturing site is subject to several internal audits and inspections. In 2020, 17 (seventeen) internal audits and inspections were performed with good results in terms of safety, environmental protection and fire prevention.

The unit is also subject to inspections by authorities and third parties, such as potential and current customers. In 2020 the company was subject to an inspection from Work Inspectorate (ITM); no penalties or critical findings were issued.

Periodical surveillance audits (every three years) carried out by Lloyd's Register Romania on Zentiva site and processes confirmed and maintained the certifications based on ISO standards. In 2019, the Company was recertified according with ISO 9001 and ISO 14001 – new edition, of 2015.



4. Sustainability and environment protection (HSE) (continued)

4.1 Risk and impact assessment

The risk management and identification process is critical to our global HSE management system. Its main objective is to identify hazards and risks and to evaluate their probability and potential effects, by carrying out risk mapping and implementing risk control & mitigation measures. The site has a comprehensive risk assessment program covering all its activities by systematically identifying of all HSE hazards and evaluating the associated risks and effects.

A Gap analysis on risk assessment is performed on 3 years basis, shared and discussed with all relevant stakeholders. Upon this analysis, risk management and action plan is constructed.

The evaluation methodology aims to identify and quantify hazards and assess the level of risk in light of the extent to which the risk is controlled:

- Process safety and risk of explosions;
- Fire risks;
- Exposure to natural disasters (assessed with insurers if necessary);
- Work-station risks;
- Road safety;
- Asphyxiation risks;
- Occupational disease risks; and
- Environmental risks.

Risk evaluations are reviewed on a periodical basis, and whenever there is a material or process change.

Zentiva site establishes and maintains its own emergency response plan, adapted to reflect site-specific risks and the internal or external resources that would be deployed or called upon in response to those risks. This risk map is evaluated annually.

Results from the evaluations are collated in a site risk map, which identifies all types of risk associated with the site or activity. These risks are then ranked by priority, with the priorities signed off by management, first at site level and then at activity level. All the risk maps are incorporated into a summary report. Action plans are then implemented accordingly, at the appropriate level (site, activity or company level).

All actions are systematically followed-up with dedicated tools and during regular meetings.

The follow up process also identifies if the actions were appropriate, efficient and if the efficacy is the expected one.

All the CAPA (Corrective Action Preventive Action) defined in 2020 were implemented as planned.



4. Sustainability and environment protection (HSE) (continued)

4.2 Training and awareness initiatives

We invest in training and awareness programs designed to embed environmental protection, and the prevention of health and safety risks, into everything we do.

Each new joiner receives initial HSE training appropriate for their job profile so that they can perform their work in strict compliance with the rules. Depending on their jobs, employees may then follow other training modules specifically related to what they do (such as eco-driving for medical and sales representatives, or chemical risks for employees handling chemical products).

For each job in the company a training matrix was established and the HSE training was delivered 100%.

In addition, all new information about relevant incidents or accidents occurred and potential dangerous situations are also communicated to employees.

In 2020, Zentiva started a collaboration with the Carpathia foundation, launching a campaign to plant 20,000 trees in the Transylvanian area, in deforested areas.

In 2020, 7 accidents were registered, out of which 2 on the way from home to the company and 5 within the company, situations against which additional assessments and cause analysis were undertaken and operational processes were improved.

4.3 Health

4.3.1 Managing risks associated with manufactured substances

We continually assess the effects of products on human health, especially that of our employees. This expertise is made available to employees through committees responsible for chemical and biological risk assessments, which are used to determine adequate risk prevention and protection measures for employees.

The committee is responsible for hazard determination and classification for all the main active pharmaceutical ingredients and intermediates handled or manufactured at our sites. The committee provides guidance on risks, preventive measures, controls, personal protection equipment, medical surveillance and specific training programs associated.



4. Sustainability and environment protection (HSE) (continued)

4.3.2 Managing working conditions

Every three years and when changes in workplace or products occur, Zentiva site prepares a health risk analysis, and then defines and implements risk prevention programs and occupational health practices. All the risk assessments are performed in transversal teams, led by the site HSE specialist, together with representatives from the assessed area, and with the site Occupational Doctor.

All the results are communicated to all involved parties; depending on the results, programs to reduce the risks are developed. This mainly involves containment measures, as well as individual and collective protection against exposure at all work-stations where chemical substances are handled. Before taking any measure from an HSE perspective, the employees from the exposed area are involved in designing the solution or in the selection of the protection equipment they will use.

Also, other risk factors associated with issues such as noise, vibration and ergonomics are also measured and appropriate measures are taken when the limits are exceeded. All personnel is monitored under annual medical surveillance programs that are based on the results of occupational risk assessments linked to their duties.

In the context of the 2020 pandemic, a series of risk assessments have been developed and measures have been implemented to reduce the risk of contamination within the company. Thus, the team formed at Top Management level managed the entire pandemic crisis. In addition to aligning with legal requirements, additional protection measures have been implemented, from segregation and recompartimentalization of workplace access flows, to the provision of protective materials, masks and disinfectant for use outside working hours. The company also incurred the costs associated with PCR testing of employees to identify the risk of contamination, in order to limit the spread of the virus in work teams. Working from home was an alternative for office staff.

4.3.3 Prevention programs

Risk assessments of processes and installations are drawn up according to standards and internal guidelines that incorporate the benchmarks for the industry and international standards. Particular attention is paid to any risk-generating changes, such as process or installation changes, as well as changes in production scale and transfers between industrial or research units.

Zentiva site has implemented a real-time emergency reporting system that alerts management immediately after an accident has occurred. The information is quickly escalated to site head level and the management levels and also to the authorities. An investigation process and root cause analysis are performed in order to implement adequate measures to increase safety in the workplace.

Internal communication follows after each safety incident at site level, during specific sessions.

A monthly KPI is issued to top management. Also, daily monitoring of HSE deviations is performed in management meetings and followed up appropriately.

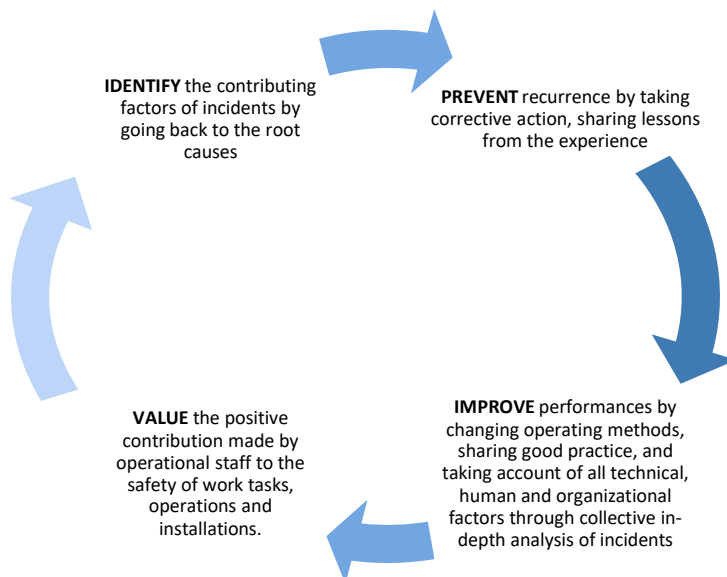
An internal tool, on the local intranet was developed in order to collect all the deviations from HSE perspective. All deviations are daily monitored during the site leadership meetings and appropriate actions are defined and implemented.



4. Sustainability and environment protection (HSE) (continued)

4.3.4 Learning from experience (LEX)

To achieve further improvements in accident prevention, we have set up a learning from experience process aimed at achieving the following objectives:



Learning from experience is based on a dedicated reporting datasheet (known as LEX Alert) containing an analysis of the incident, the immediate and root causes, and actions to be taken.

5. Information regarding environment protection

We have embarked upon an ambitious policy to limit the direct and indirect impacts of our operations on the environment through every stage of the life cycle of our products. We have identified five key environmental issues associated with our operations: greenhouse gas emissions and climate change; water; pharmaceutical products in the environment; waste; and biodiversity.

Our existing initiatives are ongoing but have been given fresh impetus through our “PlanetZ” program.

One of the important directions is to increase general awareness of all employees in environmental matters and to improve their behavior through voluntary environmental campaigns. In this regard, starting with 2020, we initiated in the company a program for the controlled collection and destruction of expired medicine waste that our colleagues own, thus preventing the contamination of the environment with medicine waste.



5. Information regarding environment protection (continued)

In the context of increasing activity in 2020 vs. 2019, in values the consumption of energy and carbon footprint increased, meanwhile a noticeable reduction was registered on commercial units. The carbon footprint in 2020 was:

		2018	2019	2020
	CO²	[t]	20,780	22,650
				4,452

5.1 Energy efficiency

An energy conservation program has been implemented at our site, with a specific focus on the air treatment systems that ensure high-quality production environments in manufacturing buildings, these systems being some of our biggest users of energy.

Since 2013, an energy performance management tool has been in place in Zentiva site to identify potential reductions in energy consumption. Zentiva site is certified by Lloyd's Register Romania since 2015 according to ISO 5001.

Our energy efficiency approach extends to all our activities including our medical rep vehicle fleets and decisions on how we transport our products.

In 2020, the electricity used within the company comes 100% from renewable sources.

Energy Consumption (MWh)	2018	2019	2020
Natural gas	8,909	13,275	22,041
Electricity	11,462	11,856	11,745
Other (steam, thermal fluids, cooling water, compressed air)	7,388	5,219	-
Total	27,759	30,350	33,786

5.2 Water use

We are committed to managing water resources sustainably. To help us deliver on this commitment, Zentiva site established and execute a water resource management plan.

Water used for production processes is withdrawn from available watercourses; water for gardening only is groundwater. We have specific operating procedures for effectively managing our use of water, and for reducing our consumption through moderation and performance.

The processes of continuous improvement and the constant concern to reduce the consumption of resources led in 2020 to a reduction by 30% of water consumption within the company compared to the commercial units produced, the equivalent of 25,000 cubic meters.

Water	[unit]	2018	2019	2020
City water network	[m3]	87,685	100,738	93,231
Groundwater*	[m3]	1,845	510	774
Total	[m3]	89,530	101,248	94,005

* not included in the product



5. Information regarding environment protection (continued)

5.3 Managing wastewater discharge

Water pollution prevention is one of Zentiva site priorities. Focus in terms of wastewater is to reduce as much as possible the pollutants that could get into the water system during cleaning procedures.

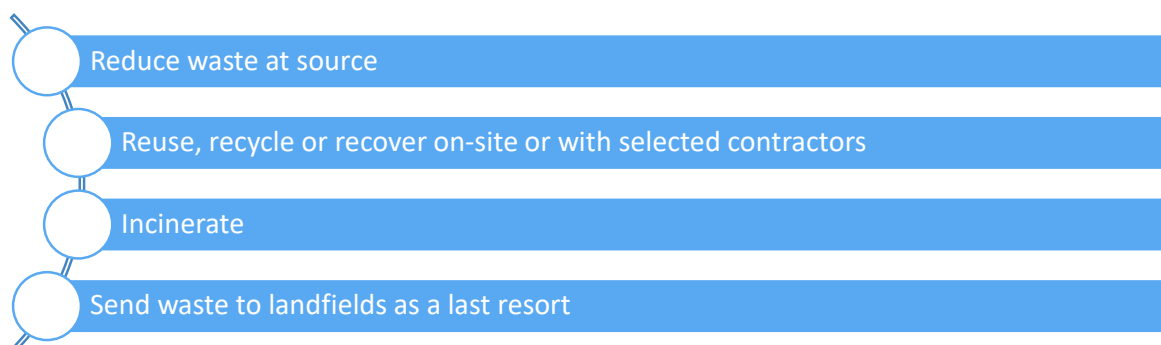
Several operational controls were put in place and proved to be consistent, the most effective being collection of waste before equipment's cleaning.

Internal monitoring is performed on weekly basis besides the monthly analysis performed by RENAR certificated laboratory in accordance with legal requirements.

5.4 Waste

The key to our policy is to reduce waste generation at source, followed by a systematic examination of recycling possibilities before waste is disposed of in any other manner.

Inspired by the circular economy, Zentiva site manages its waste according to the following principles:



Our waste management program includes procedures to categorize and identify waste generated by each process, and then to collect, sort, store, transport and treat each type of waste appropriately. In addition, we keep records of all waste management documents to ensure traceability up to final treatment.

Wastes resulted from production activities are not landfilled.

	Generated waste (t)	Recycled waste (t)	Recycled waste (%)	Incinerated waste (t)
2017	580.4	325.1	55.86	259.6
2018	659.47	383.48	58.3	271.27
2019	1253,79	517,35	41.26	710,75
2020	370	130	35	240

Specific to pharma production activities, air treatment units are designed to keep controlled and clean environment inside the site and also outside having several technical filtering barriers.



5. Information regarding environment protection (continued)

Manufacturing areas are equipped with 24h professional air treatment systems, they have filters for recycling the air and for evacuating the air.

Efficiency of the filtering air systems reaches a retention degree of 0.995% for particles measuring $> 0.3\mu\text{m}$. This filtering level is set in accordance with the production systems and GMP standards for the pharmaceutical industry and ensures environmental protection.

5.5 Commitment for reducing food waste

Within the canteen at the site food waste reduction is promoted by recovering leftover vegetables for reuse the next day; introducing sort bins to facilitate recycling of waste.

6. Social commitments and diversity

6.1 Prevention of Human Rights abuses

Zentiva, supports and applies the United Nations Guiding Principles on Business and Human Rights, and has for many years adopted a proactive vigilance approach to prevent our activities having negative impacts on human rights. Our main initiatives are described below:

- freedom of association and recognition of the right to collective bargaining (ILO conventions 87 and 98);
- elimination of all forms of forced labor (ILO conventions 29 and 105);
- effective elimination of child labor (ILO conventions 138 and 182);
- elimination of discrimination in employment (ILO conventions 100 and 111);
- wages and employee benefits (ILO conventions 95, 131 and 135); and
- weekly rest (ILO conventions 14 and 106).

6.2 Employees

Employees have the right to be constantly informed and consulted as stipulated in the Internal Rules and the Collective Agreement.

Employees are informed upon employment, during the initiation program, about all the procedures and internal rules in force; they are informed as well about any update/change; all the procedures are visible to all employees on the local Intranet.

6.2.1 Non-discrimination

Zentiva is careful to avoid any discrimination (e.g. based on gender) in the compensation paid in respect of a given position at equivalent levels of individual performance.



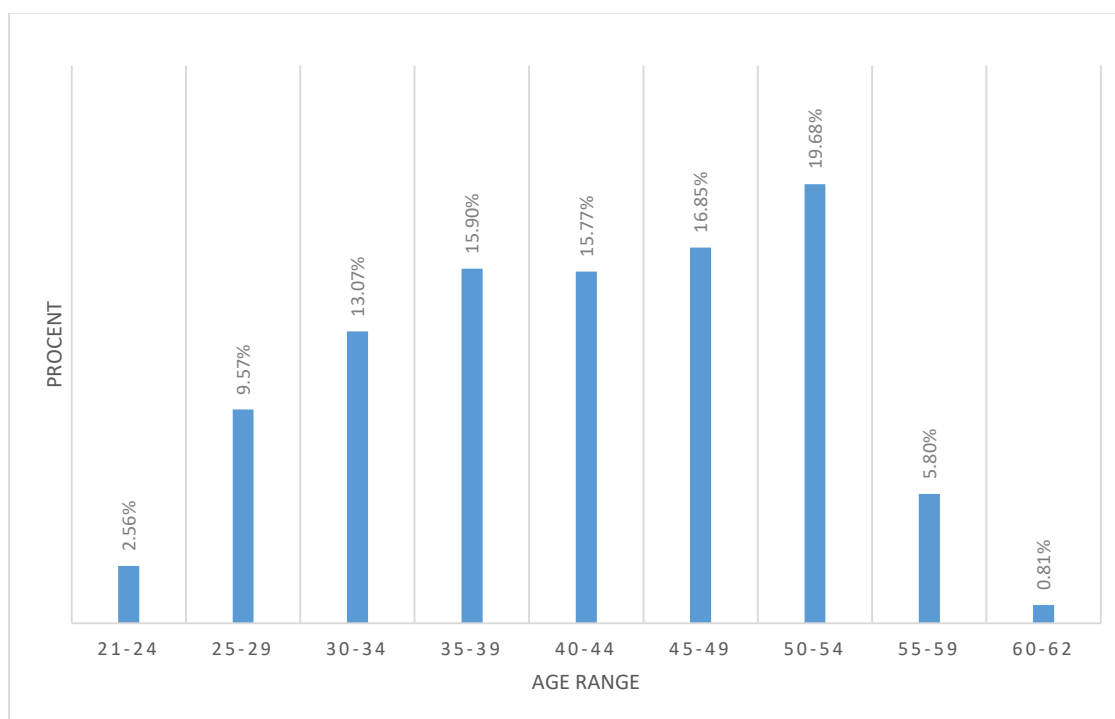
6. Social commitments and diversity (continued)

6.2.2 Employee benefits

We strive to ensure that all of our employees receive high-quality benefits covering health, old age, incapacity, disability and death. Those benefits comply with the national regulation and provide the coverage that best meets employees' needs. In general, employees (as well as, in general, their spouses and children) receive a good level of reimbursement of medical expenses as well as death benefits. Benefits might also cover temporary or permanent incapacity, on a case by case basis.

Employees can also access a flexible benefits platform where an annual budget is allocated by the company. The flexible benefits available for all employees on the platform are: private pension, professional development and foreign languages courses, transport (for those who don't have a company car allocated), gift vouchers for certain occasions according to the Collective Labor Agreement at company level, holiday vouchers and recreational activities.

Graphic age within the Company - December 2020



Whenever possible, Zentiva provides personalized employee benefit programs (medical, psychological support, personal development workshops, etc.) that allow employees to adjust their coverage according to their family situations and personal needs.

Regarding working conditions Zentiva provides high quality protection equipment for each category of job and special facilities in the site. We offer special alimentation for people working in production area, yogurt offered on a daily basis, once a week we offer fruits (especially apples) that are placed in the canteen.

For work during night we offer a special compensation amount of money, 25% of the base salary for each worked hour. The same applies for different bonuses for extra hours or special events (wedding, child birth, funerals, seniority and so on).



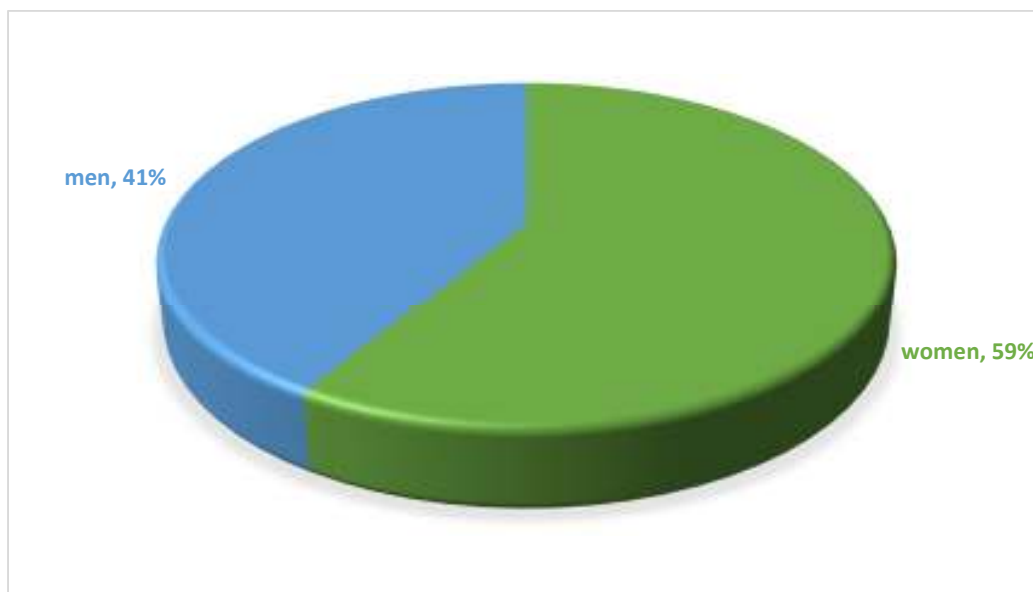
6. Social commitments and diversity (continued)

Zentiva also offers to employee on a weekly basis kinetotherapy classes, massage on chair and from time to time ergonomy classes. During the pandemic, these activities were suspended.

In the fall of 2020, Zentiva implemented a project called "Formula ONE", an organizational culture project designed to help employees work and interact constructively and effectively. 400 employees were involved in the organizational diagnosis and over 30 employees from managerial roles participated in development courses on the priority areas for the organization and the team: Leadership, Decision Making, Team Management. The project will continue in 2021.

We also offer subscription to online library called Bookster from where the employees can borrow wide range of books for free and that are delivered to the office.

The number of active employees Zentiva on 31 December 2020 was 747 people.



6.2.3 Social dialogue

Trade union representatives are elected by company employees for a term of 2 years; they have guaranteed job security and cannot be dismissed by the company during their term of office. Regular meetings are held between the Trade Union Committee and employee's representative.

Through the Collective Agreement (2nd Chapter) Zentiva allows Trade Union to conduct its activities in the Site and use Zentiva's physical resources for this purpose. The Trade Union has the right to be constantly informed and the right to choose its members from among Zentiva's employees.

Zentiva has always been interested in education of young people and for that we developed special internship programs for university graduates (Zentiva University).



6. Social commitments and diversity (continued)

6.2.4 Gender balance and diversity

Diversity principles governing non-discrimination, equal opportunity and respect for individuals are observed and embedded in all our HR policies and Code of Ethics in accordance with the national legislation applicable in Romania, regarding human rights and labour.

Zentiva considers that diversity is a resource for optimizing performance and recognizing differences between employees.

Zentiva prohibits all forms of discrimination or any conduct that may harm personal dignity and promotes diversity and inclusion in the company.

Zentiva prohibits any employee to be subject of any form of harassment.

The actions to support this are related to the fact that all employees have the same rights and obligations, same benefits and rewards, linked to the job responsibilities and regardless the age, gender, race, religion, sexual orientation, etc.

Regarding equal treatment Zentiva supports equal opportunity for each employee and job applicant in order to create an inclusive and positive working environment.

Skills, competencies, expertise, experience and high ethical standards are the factors taken into account. Zentiva offers the same career opportunities to men and women, including access by women to management positions. In the company, more than 50% of women are part of management teams. Every year we use surveys performed by prestigious market research companies to compare the remuneration level and benefits.

Zentiva supports recruitment and ensures job retention of disabled workers.

